

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

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76-7502

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March 18, 1976

MEMORANDUM FOR

The Secretary of State
The Secretary of Defense
The Director, Arms Control and
Disarmament AgencySUBJECT: Comments on Dr. Seamans'
Recommendations to the President
Regarding Nuclear Cooperation with Iran

Administrator Seamans has reported to the President on his and Under Secretary Maw's meeting with the Shah on nuclear cooperation (attached). Your comments and advice are requested on Dr. Seamans' recommendations so that the President can consider and approve our position for the negotiation of a nuclear agreement with Iran.

In order to allow sufficient time for the President's action and the preparation of our position prior to the discussions with Dr. Etemad in mid-April, your response is requested no later than March 29, 1976.

NSC review completed

Mike Hamlet
Jeanne W. Davis
Staff Secretary

/s/

cc: The Director of Central Intelligence

DOE review completed.

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UNITED STATES
ENERGY RESEARCH AND DEVELOPMENT ADMINISTRATION
WASHINGTON, D.C. 20545

MAR 15 1976

MEMORANDUM FOR: THE PRESIDENT

Subject: Next Steps in Our Negotiation of a Nuclear Agreement with Iran

In accordance with the President's decision (Tab A) Under Secretary of State Carlyle E. Maw and I held discussions with the Shah on February 23, 1976 in Tehran in an effort to (1) seek to clarify the Shah's concern with the current U.S. negotiating position on a nuclear agreement, and (2) expose the Shah to reasons for our concern over the proliferation of national reprocessing facilities.

DISCUSSIONS

The discussions opened by the Shah receiving and reading the President's letter (Tab B). The Shah then proceeded to make the following points:

- He agrees with the President but "what more do you want me to do?"
- Iran signed the Non-Proliferation Treaty after serious consideration and it intends to abide by all of its terms.
- Iran has no reason to develop nuclear weapons. It could never have sufficient capability to deter the Soviet Union or to fight back.
- Iran does not understand why the U.S. does not trust Iran to develop fully its peaceful nuclear power program.

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In response we drew on the following arguments:

- We believe we all can reap the benefits of nuclear power provided the key statesmen like the Shah recognize the potential seriousness of the diversion or misuse of nuclear materials and the need to have effective worldwide safeguards.
- The area of reprocessing of spent nuclear fuel, including the storage and fabrication of the separated plutonium, gives us the greatest concern, especially, since the Indian explosion of a nuclear device.
- We recognize that when we supply equipment and nuclear material to another nation we cannot escape a shared responsibility with the recipient in the ultimate use of the equipment or material.
- There are several unknown factors in reprocessing. It is not clear that the reprocessing is going to prove economical, at least not without the benefits of economy of scale. It is also not clear, since the IAEA is just beginning to study the matter, how effective IAEA safeguards will be.
- We feel that the emphasis should be on fewer and hence larger plants that will have economy of scale. In doing so, in given regions of the world this would involve the participation of several nations thus providing naturally a measure of safety through an inherent check and balance.
- We are quite cognizant of the difficulties that might arise in executing multilateral plans. We are prepared to agree that the execution can often be simplified by going to bilateral arrangements which actively engage the supplier in the operation of the facility.

After making these several points, we said that we visualize a multinational reprocessing plant to serve the region of the Middle East and, hopefully, it might be in Iran. We would like to be assured that we would

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have the Shah's fullest cooperation in working out some mutually satisfactory and economically sound arrangement for a reprocessing plant in Iran or in which Iran would participate and which would meet our mutual concerns as to possible diversion or misuse of nuclear fuel. The Shah indicated that he would seriously consider a reprocessing plant in Iran with participation of the U.S. and others as might be appropriate.

The Shah indicated that before embarking on the construction of reprocessing plants in Iran, that he would review the matter carefully with the U.S. and would expect that this would be a shared responsibility and that we jointly would review and participate in the determination of the safeguards. He went further on to say that he wanted to work with the United States, that Iran wanted Westinghouse-type reactors, and, in addition, Iran would certainly still consider investing in a Uranium Enrichment Associates plant.

In the latter respect, we indicated that if Iran were to join the financing of this organization or any of the others that were now contemplated, we would expect Iran to have a percentage of the output commensurate with the percentage of their investment; and, that all the low enriched uranium to which Iran was entitled could be transferred to Iranian soil and stored there; or, if Iran wished, could be retransferred to third countries having an appropriate U.S. agreement for cooperation.

CONCLUSIONS

The Shah seemed to appreciate and to accept the premise that the U.S. and Iran had a shared responsibility to assure the proper use of U.S. supplied nuclear facilities and material.

The Shah clearly indicated his willingness to consider the reprocessing issue in detail in an effort to find a cooperative and mutually satisfactory undertaking having in mind that our ultimate goals are identical: The avoidance of nuclear weapons proliferation. The Shah never indicated, however, that he would accept U.S. conditions on reprocessing or whether or not he would accept reprocessing solely on a multinational scale.

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In essence, the Shah's position seemed to be that if our mutual non-proliferation goals can be accomplished through a reprocessing plant on Iranian soil, consistent with Iranian national sovereignty and honor and its adherence to the NPT, it would receive his careful consideration.

At no point, however, did the Shah recede from his basic principle that no further controls on Iran were necessary in so far as nuclear weapons were concerned. They had signed the NPT and would live up to their undertakings. From his point of view, and for the purpose of non-proliferation, no further commitments were necessary.

On the basis of this discussion with the Shah we conclude that any arrangement in which the United States endeavors to retain an ultimate veto on reprocessing of spent fuel in Iran will be unacceptable to the Shah.

RECOMMENDATIONS

Taking into account comments and recommendations provided on the study of November 20, 1975 regarding negotiating of a nuclear agreement with Iran and these discussions with the Shah, I believe that the most probable direction in which to move towards a resolution of the current impasse satisfactory to both parties would encompass the following approach:

- Iran would agree to exert strenuous efforts toward the establishment of a multinational or binational reprocessing facility.
- Iran would accord the United States a continuing opportunity to participate in such a facility.
- The U.S. would consent to reprocessing of the U.S. material in an Iranian national facility, if Iran was unable to achieve a multinational or binational reprocessing capability.
- U.S. consent would be subject to:
 - (1) the continuing requirement that we be satisfied the safeguards applied to these activities by the IAEA are effective, and
 - (2) the right to assign staff to the facility if in the U.S. judgment this is necessary to supplement IAEA safeguards.

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I believe this approach accommodates our interests in so far as it delays a decision on the nature of an Iranian reprocessing plant until the concept of a multinational or binational plant is thoroughly explored, with the U.S. having the clear opportunity to participate if it so desires. I would expect that this aspect would have Congressional support.

I believe that the Shah will find the approach promising in so far as it does not preclude a national plant in Iran if Iran is unable to obtain a multinational or binational facility. I would expect, however, that the absence of a U.S. veto on the reprocessing of U.S. material will be challenged by some members of Congress as furthering proliferation, particularly, in a sensitive region of the world.

With U.S. approval subject to the continuing requirement of U.S. satisfaction with the effectiveness of IAEA safeguards and the U.S. right to supplement these safeguards if it considers this necessary, the U.S. would have assurance that the safeguards will be effective in terms of deterring and detecting the diversion of material. While I believe that the Shah can be made to view this aspect as a shared responsibility, he may find it unacceptable on the grounds that it signals a continued mistrust of Iran. I would expect Congress, on the other hand, to welcome the increased presence of the U.S. in the implementation of safeguards but probably not to the extent of fully satisfying their concerns of a national reprocessing plant in Iran.

The Shah expects that further negotiations will take place during the visit to the U.S. of the President of the Iranian Atomic Energy Organization now scheduled for the week of April 19, 1976. I recommend that the momentum created by the President's letter and these discussions not be dissipated; and therefore, I urge that our negotiating position be developed and Congressional consultations pursued with the objective of resuming negotiations at that time. Since the Shah indicated that he will reply to

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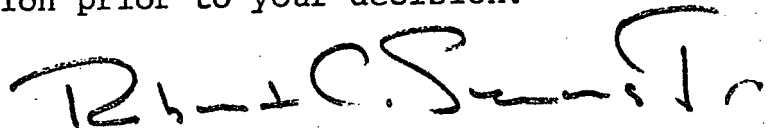
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the President's letter. It might be prudent to have the Shah's response in hand before actually resuming negotiations, but I would not delay our preparations pending receipt of his response.

While Under Secretary Maw agrees with my account of our meeting with the Shah and shares my conclusions, I am informed that the Department of State will wish to submit separately its recommendations on the U.S. negotiating position prior to your decision.

A handwritten signature in dark ink, appearing to read "R. C. Seamans, Jr.", written in a cursive style.

Robert C. Seamans, Jr.
Administrator

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